



**CALIFORNIA BOARD OF ACCOUNTANCY**

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# **Initial Statement of Reasons**

**Related to UPDATE #58 Regulation Notice**

*April 18, 2006*

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**CALIFORNIA BOARD OF ACCOUNTANCY****INITIAL STATEMENT OF REASONS**

**Hearing Date:** May 19, 2006.

**Subject Matter of Proposed Regulations:** Fees.

**Section Affected:** Section 70 of Title 16 of the California Code of Regulations.

**Specific Purpose of Each Amendment:**

This proposal would amend Section 70 of Title 16 of the California Code of Regulations to delete outdated provisions and lower the Board's fees for the initial permit to practice and renewal of the permit to practice. The objective is to achieve and maintain a balance in the Board's contingent fund that is equal to approximately nine months of annual authorized expenditures.

Specifically, this proposal would amend subsections (a) and (b) of Section 70 to delete provisions applicable prior to January 23, 2004, and no longer applicable.

This proposal would also amend subsection (d) of Section 70 by breaking it into two paragraphs. Paragraph (1) of subsection (d) would indicate that commencing on January 1, 2007, the fee for the initial permit to practice would be \$120. Paragraph (2) of subsection (d) would indicate that commencing January 1, 2011, the fee for the initial permit to practice would be \$200, unless the action described in subsection (i) occurs.

In addition, this proposal would amend subsection (e) of Section 70 by breaking it into two parts in a manner similar to the amendments to subsection (d). Paragraph (1) of subsection (e) would indicate that commencing on January 1, 2007, the fee for renewal of the permit to practice would be \$120. Paragraph (2) of subsection (d) would indicate that commencing January 1, 2011, the fee for renewal of the permit to practice would be \$200 unless the action described in subsection (i) occurs.

This proposal would add subsection (i) to indicate that by July 1, 2009, the Board shall review its revenue and expenditures and make a determination regarding the appropriate level of fees for the initial permit to practice and renewal of the permit to practice, in order to maintain a balance in the Board's contingent fund that is equal to approximately nine months of annual authorized expenditures. If the Board determines that fees of less than \$200 are indicated, the Board shall fix the fees by regulation at the indicated amounts on or before January 1, 2011.

**Factual Basis/Rationale.**

The factual basis for the determination that the proposed changes are necessary is the following:

Business and Professions Code Section 5134 provides that the biennial renewal fee be fixed by the Board so that the reserve balance in the Board's contingent fund shall be equal to approximately nine months of annual authorized expenditures. It also provides that the initial permit fee shall be equal to the renewal fee.

When the Board began consideration of this matter in September 2005, it was noted that the reserve balance in the Board's contingent fund was equal to approximately 14 months of annual authorized expenditures. At its meetings of September 15-16, 2005, November 17-18, 2005, and January 19-20, 2006, the Board considered various options for addressing this concern. (See Attachments 1, 2, and 3 for excerpts from the minutes of those meetings including the analyses considered by the Board.)

At its January 2006 meeting, the Board decided to address this concern by proposing to reduce its fees for the initial permit to practice and renewal of the permit to practice from \$200 to \$120 for the period January 1, 2007, until January 1, 2011. A four year period was selected so that all licensees would be able to benefit from the fee reduction for two biennial renewal cycles.

The Board noted that it is possible that the reduction in the reserve may not occur in the manner projected. To address this possibility, subsection (i) is being proposed to require a study be completed by July 1, 2009. If, based on this study, the Board determines that fees of less than \$200 are indicated in order to achieve the objective of reaching and maintaining a reserve balance equal to approximately nine months of annual authorized expenditures, the Board will fix the fees at the indicated amounts on or before January 1, 2011.

This proposal does not include a revision to subsection (h) which provides for a fee for practice privilege. Subdivision (i) of Business and Professions Code Section 5134 provides that the practice privilege fee shall not exceed 50 percent of the renewal fee. A statute change is being pursued to uncouple the practice privilege fee and the renewal fee and establish the practice privilege fee with a maximum of \$125. If this statute change is unsuccessful, it a modification to this proposal will be proposed.

This proposal also deletes outdated language in subsections (a) and (b), and makes a grammatical correction to subsection (c) of Section 70. These changes are necessary to improve the clarity and readability of Section 70.

**Underlying Data:**

In developing this proposal, the Board relied on the analyses provided in Attachments 1, 2, and 3.

**Business Impact:**

This proposal will not have an adverse economic impact on businesses. This initial determination is based on the following fact: This proposal would have the effect of lowering costs by reducing the initial permit and renewals fee paid by Certified Public Accountants, Public Accountants, and accountancy firms licensed or registered by the California Board of Accountancy.

**Specific Technologies or Equipment.**

This regulation does not mandate the use of specific technologies or equipment.

**Consideration of Alternatives**

No reasonable alternative to this regulation would be either more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed regulation.

The alternatives considered by the Board are set forth in Attachments 1, 2, and 3.